Zhongtian International Limited

中天國際控股有限公司*

Incorporated in the Cayman Islands with limited liability

Stock Code: 02379

* for identification purposes only

Annual Report 2015

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

CHEN Dezhao *(Chairman)* (appointed on 29 May 2015)
CHEN Jun (retired on 29 May 2015)
ZHAO Yun

INDEPENDENT NON-EXECUTIVE DIRECTORS

GUO Qiang
CHEN Wenping
LIU Jinlu

COMPANY SECRETARY

TAI Man Hin, Tony *(CPA)*

AUDIT COMMITTEE

CHEN Wenping *(Chairman)*
GUO Qiang
LIU Jinlu

REMUNERATION COMMITTEE

CHEN Wenping *(Chairman)*
CHEN Dezhao (appointed on 29 May 2015)
CHEN Jun (retired on 29 May 2015)
GUO Qiang

NOMINATION COMMITTEE

CHEN Dezhao *(Chairman)* (appointed on 29 May 2015)
CHEN Jun (retired on 29 May 2015)
CHEN Wenping
GUO Qiang

HONG KONG LEGAL ADVISORS

Loong & Yeung

AUTHORISED REPRESENTATIVES

Chen Dezhao
ZHAO Yun

STOCK CODE

02379

COMPANY'S WEBSITE

www.irasia.com/listco/hk/zhongtian

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 2001-06, 20th Floor
Jardine House
1 Connaught Place
Central, Hong Kong

AUDITOR

Crowe Horwath (HK) CPA Limited

PRINCIPAL BANKERS

China Construction Bank,
No.3 branch, Shinan District Qingdao
Bank of Qingdao
Fuzhou Road Sub-branch
Qingdao
The Hongkong and Shanghai Banking Corporation Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

REGISTERED OFFICE

Cricket Square Hutchins Drive P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

21st Floor
Huaren International Mansion
No. 2 Shandong Road
Shinan District
Qingdao City
Shandong Province
The People's Republic of China ("PRC")

CHAIRMAN'S STATEMENT

We expect our future full of hope under the first gleam of light!

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Zhongtian International Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), I hereby present the annual results and the audited financial statements of the Group for the year ended 31 December 2015 (the "**Year**").

In 2015, apart from the continuing depreciation of Renminbi, the economy of the People's Republic of China (the "**PRC**") had entered into a slow growing trend. Moreover, with the strict control policy on economy continued to be in force in the PRC, certain relevant industries like the real estate market remained adversely affected.

During the Year, the Group's major business was the development and sale of intelligent control system and electronic products as well as trading of modern office furniture, which realized annual revenue of approximately RMB2,489,000 and generated less turnover as compared with 2014. This business has continued to be the major income source of the Group. It is expected that the Group would carry on developing this domain in the future in order to generate a larger revenue.

During the Year, local commercial property rental business remained at a satisfactory level. Leasing of commercial properties of the Group had generated a rental revenue of approximately RMB1,366,000 for the Year, which became a stable income source of the Group as compared with 2014. The Group attached great importance to such stable income source with a promising future under the local prosperous business condition.

During the Year, the Group has considered developing and investing in local commercial property business and other business domains and proactively undertook flexibility assessment and relevant negotiations.

After reviewing the performance achieved by the Group in the Year, the Board remained confident of and optimistic about the future prospect of the Group amid the ever-changing economic condition in the world and in the PRC. For the Year, the Group had constructive advancements in corporate governance, business development and staff nurturing. We expect our future full of hope under the first gleam of light. It is believed under the operation of the Board with great foresight, the Group will definitely be able to offer an enthusiastic prospect!

Zhongtian International Limited
Chen Dezhao
Chairman

29 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the Year, the Group was principally engaged in two business segments, namely trading and property investment.

Trading

Trading of intelligent electronic products and modern office furniture products became a business segment with fewer obstructions in the course of transition of the Group's operation towards diversification.

Meanwhile, as the competition in this business segment has been keen and the overall cost for exploring new customers has been relatively high, the Group strives to preclude this segment from becoming the only source of income of the Group.

Property Investment

After the renovation of its investment properties in the year of 2010, the Group commenced to lease its commercial properties to generate rental revenue, and there was a comparatively stable revenue generated from the property investment segment in the Year. Taking into account the improvements in local investment environment and the favourable conditions in the local commercial property market, the Board will continue to pay attention to the development of this segment and to identify and seek suitable opportunities for further investments.

FINANCIAL REVIEW

Turnover and Gross Profit

The Group's total turnover for the Year was approximately RMB3,855,000 (2014: approximately RMB12,220,000), representing a decrease of approximately 68.5% compared to the year of 2014. This was mainly attributable to the drop in sales of intelligent electronic products due to the weak economy in the PRC. The revenue generated from the trading segment decreased by approximately 77.1% from approximately RMB10,866,000 in 2014 to approximately RMB2,489,000 in 2015 whereas the revenue generated from the property investment segment remained relatively stable at approximately RMB1,366,000 in 2015 (2014: approximately RMB1,354,000).

The gross profit decreased from approximately RMB1,722,000 in 2014 to approximately RMB1,459,000 in 2015, mainly due to the decrease in sales in the trading segment.

Selling and Distribution Costs

During the Year, the Group postponed all marketing activities due to the lack of large-scale tender projects. There was no distribution cost in 2015 (2014: Nil).

General and Administrative Expenses

The Group's administrative expenses for the Year were approximately RMB10,024,000 (2014: approximately RMB4,437,000), representing an increase of approximately 125.9% as compared to the year of 2014. This was mainly attributable to the increase in staff costs as well as the legal and professional fees during the Year as compared to the year of 2014.

Net Loss

During the Year, the Group recorded a net loss of approximately RMB7,587,000, representing a decrease of approximately RMB11,107,000 as compared to the net loss of approximately RMB18,694,000 for the year of 2014. The decrease in net loss for the Year was mainly due to exclusion of the one-off expense item of the release of deferred loss on convertible bonds in the year of 2014. Basic loss per share in the Year was RMB3.1 cents as compared with basic loss per share in the year of 2014 of RMB8.5 cents.

BUSINESS REVIEW

Analysis by Business Segment

During the Year, the Group's principal source of income was derived from sale of intelligent electronic products and modern office furniture products from the trading segment, which accounted for 64.6% of the total turnover of the Group. Property investment segment accounted for the remaining 35.4%.

During the Year, all of the Group's income was derived from the Shandong Province, the PRC, and accounted for 100% of the Group's total turnover.

FUTURE OUTLOOK

The intelligent electronic products and modern office furniture business of the Group has been expanding for several years and has shown a continuous growth in sales revenue and profit, which is expected to be a major source of income for the Group. Commercial properties of the Group have commenced to generate rental revenue after renovation and became a stable source of income for the Group.

Besides, the Group has been actively researching, identifying and exploring local property business and other business domains with great potential growth in order to achieve a diversification of income source of the Group in the future.

DEBTS

As at 31 December 2015, the Group had bank borrowings of RMB17,550,000. For details of the bank borrowings, please refer to note 20 to the consolidated financial statements.

Save as disclosed above, the Group had no debt securities that were issued, outstanding, approved or otherwise created but unissued, or term loans or other borrowings or debts of borrowing nature, including bank overdrafts, acceptance liabilities or acceptance credits, obligations under financing lease, mortgages or charges (31 December 2014: Convertible bonds of approximately RMB26,000).

PLACING

On 9 November 2015, the Company completed a placing under general mandate (the "**Placing**") whereby an aggregate of 47,700,000 new shares of the Company (the "**Share(s)**") were successfully placed to not less than six placees at the placing price of HK$1.08 per Share by Astrum Capital Management Limited (the "**Placing Agent**") in accordance with the terms and conditions of the placing agreement entered into between the Company and the Placing Agent on 22 October 2015.

No placee has become a substantial shareholder immediately following completion of the Placing. After deducting the placing commission and other expenses in connection with the Placing from the gross proceeds, the net placing proceeds amounted to approximately HK$50.7 million and are intended to be used as general working capital of the Group.

For further details, please refer to the announcement of the Company dated 22 October 2015.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's capital requirement represents mainly working capital in relation to the sale of intelligent electronic products and modern office furniture products and related costs of business. The Group financed its operation and investment from its internal resources.

As at 31 December 2015, the Group had cash and bank balances of approximately RMB118,236,000 (31 December 2014: approximately RMB13,499,000), approximately 68.0% and 32.0% of which were held in RMB and HK$, respectively. The gearing ratio (defined as total interest-bearing debts divided by shareholder's equity) was 12.43% (31 December 2014: 0.02%).

During the Year, the Group did not employ any material financial instrument for hedging purposes.

FOREIGN EXCHANGE

Since most of the revenue generated from the sale of products by the Group and the receipt of rental income and the payment for purchases of materials, components and equipment are in RMB, the Directors are of the opinion that the Group will have sufficient funds to meet its foreign exchange requirements. The Group did not experience any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates and did not adopt any currency hedging policy or other hedging instruments during the Year.

SUBSTANTIAL ACQUISITION AND DISPOSAL

On 13 November 2015, the Company entered into a sale and purchase agreement (the "**Sale & Purchase Agreement**") with Mr. Chen Jun (the "**Vendor**"), a controlling shareholder of the Company, pursuant to which the Company conditionally agreed to purchase and the Vendor conditionally agreed to sell the entire issued share capital of Golden Century Trade Limited (金世紀貿易有限公司) (the "**Acquisition**") for a consideration of RMB155,000,000, out of which RMB135,000,000 shall be satisfied by way of allotment and issue of 124,000,000 Shares (the "**Consideration Shares**") at the issue price of HK$1.35 per Consideration Share and RMB20,000,000 shall be satisfied by cash.

Upon completion of the Acquisition, the Company will hold the entire issued share capital of Golden Century Trade Limited (金世紀貿易有限公司) which in turn holds 100% of the equity interest in Qingdao Zhongtian Enterprise Development Company Limited* (青島中天企業發展有限公司), Qingdao Zhongtian Innovation Investment Company Limited* (青島中天創新投資有限公司) and Qingdao Zhongtian Software Park Company Limited* (青島中天軟件園有限公司) via Best Sight Limited (瑋邦有限公司) (collectively, the "**Target Group**"). The Target Group is principally engaged in the investment and development of the property (the land and the buildings erected thereon located at No. 38 Shandongtou Road, Laoshan District, Qingdao City, Shandong Province, the PRC) and the land (the piece of land located at No. 877 Huihai Road, Chengyang District, Qingdao City, Shandong Province, the PRC).

The Acquisition has been approved by the independent shareholders of the Company at the Company's extraordinary general meeting held on 22 March 2016.

For further details of the Acquisition, please refer to the announcements of the Company dated 15 December 2015 and 22 March 2016, respectively, and the circular of the Company dated 7 March 2016.

Save as disclosed above, there was no material acquisition and disposal of subsidiaries and associated companies by the Group during the Year.

* *For identification purpose only*

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2015, the leasehold land with carrying amount of approximately RMB3,698,000, the investment properties with fair value of approximately RMB42,600,000 and buildings with carrying amount of approximately RMB4,707,000 are pledged to a bank for bank borrowing of the Group.

Save as disclosed above, the Group had no other material pledge of assets and contingent liabilities as at 31 December 2015 (31 December 2014: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group had 7 employees (31 December 2014: 9 employees). Most of the Group's employees were based in the head office of the Group in Qingdao City of Shandong Province, the PRC.

The remuneration policy and package of the Group's employees are periodically reviewed. Apart from social insurance and in-house training programmes, discretionary bonuses and share options may be awarded to the employees according to the assessment of individual performance.

The total remuneration cost incurred by the Group for the Year was approximately RMB3,331,000 (31 December 2014: approximately RMB801,000). The increase in staff cost in the Year as compared with 2014 was mainly attributable to the increase in the remuneration provided to the Directors and senior managements of the Group.

FINAL DIVIDEND

The Directors do not recommend payment of any final dividend for the Year (2014: Nil).

REPORT OF THE DIRECTORS

The Board presents their report together with the audited financial statements of the Company and the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in note 15 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss. The Board does not recommend the payment of any dividend for the Year.

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group during the Year are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of movements during the Year in the share capital of the Company are set out in note 22 to the financial statements.

RESERVES

Details of movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 37.

As at 31 December 2015, the Company had reserves available for distribution to shareholders of approximately RMB133,435,000 (2014: RMB97,577,000).

BUSINESS REVIEW

Further discussion and analysis of the business of the Company, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the business of the Group, can be found in the section headed "Management Discussion and Analysis" as set out on pages 4 to 8 of this report. These discussions form part of this report of the Directors.

ENVIRONMENTAL POLICIES

The Group is devoted to promoting and maintaining the environmental and social sustainable development of the regions where it operates. As a responsible enterprise, the Group is in compliance with all the relevant laws and regulations in terms of the environmentally friendliness, health and safety, adopts effective measures, conserves energy and reduces waste.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC while the Company itself is listed on the Stock Exchange. Our establishment and operations accordingly shall comply with relevant laws and regulations in the PRC and Hong Kong. During the Year and up to the date of this report, as far as the Company is concerned, there was no material breach of non-compliance with applicable laws and regulations by the Group that has a significant impact on business and operations of the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Directors recognize that employees, customers and business partners are the keys to the sustainable development of the Group. The Group is committed to building a close and caring relationship with its employees and business partners and improving the quality of services to the customers.

Employees are regarded as the most important and valuable assets of the Group. The Group ensures all staff is reasonably remunerated and its workers are provided with regular training courses on sales and marketing. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills.

The Group also stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for last five financial years is set out on page 102 of this report.

DIRECTORS

The Directors during the Year and up to the date of this report were:

Executive Directors

Mr. Chen Dezhao (appointed on 29 May 2015)
Mr. Chen Jun (retired on 29 may 2015)
Mr. Zhao Yun

Independent non-executive Directors

Mr. Chen Wenping
Mr. Liu Jinlu
Mr. Guo Qiang

Each of Mr. Guo Qiang and Mr. Lin Jinlu will retire from office as Directors at the forthcoming annual general meeting of the Company.

Mr. Guo Qiang and Mr. Lin Jinlu, being eligible, offer themselves for re-election pursuant to Article 87 of the Articles of Association of the Company (the "**Articles**").

DIRECTORS' SERVICE CONTRACT

Mr. Chen Dezhao, an executive Director has entered into a service contract on 29 May 2015 with the Company for a term of one year and ending at the conclusion of the forthcoming annual general meeting of the Company.

Mr. Zhao Yun, an executive Director has entered into a service contract on 6 March 2015 with the Company for a term of one year and ending at the conclusion of the forthcoming annual general meeting of the Company unless terminated by not less than three months' notice in writing served by either party on the other.

All the independent non-executive Directors namely, Mr. Guo Qiang, Mr. Chen Wenping and Mr. Liu Jinlu have respectively entered into a service contract with the Company for a term of one year commencing on 29 May 2015 and ending at the conclusion of the forthcoming annual general meeting of the Company.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Directors

Executive Directors

Mr. Chen Dezhao (陳德昭) ("Mr. Chen DZ"), aged 73, has extensive experience in human resources, management and administration. Mr. Chen DZ was enlisted to serve in the army in August 1963 and he left the army in December 1982. From 1982 to 2002, he took up various important positions in Shandong Province Branch, the Bank of China (中國銀行山東省分行) including the chief of the department of human resources, vice chairman of the bank association (公會副主席) and the director of the staff education and research committee of the China financial system (中國金融系統職工教育研究會理事).

In addition, Mr. Chen DZ has been qualified as an economist and as a senior government affair advisor (高級政工師) since 10 December 1990 and 1 December 1996 respectively by the Bank of China. Mr. Chen DZ was appointed as an executive Director on 29 May 2015.

ZHAO Yun (趙贇) ("Mr. Zhao"), aged 43, is currently the Chief Executive Officer of the Group and a director of Success Advantage Limited (成益有限公司) and New East Glory Limited (東耀有限公司), both are wholly owned subsidiaries of the Company. Mr. Zhao was graduated from 南開大學 (Nankai University) and 中國人民解放軍海軍潛艇學院 (The People's Republic of China's Marine and Submarine College). Mr. Zhao has over 9 years of experience in corporate investment. Mr. Zhao was appointed as an executive Director on 6 March 2007.

Independent non-executive Directors

GUO Qiang (郭強) ("Mr. Guo"), aged 45, was graduated from Qingdao Polytechnic University (青島理工大學) with a bachelor's degree in computer science and technology. From 1996 to 2007, Mr. Guo was the chief editor of Chinese Printing Weekly of the Light Literature Journal (《通俗文藝報》書畫周刊) and the art director of Chinese Printing Page of Qingdao Economic Daily (《青島財經日報》書畫專版) of Qingdao Publishor (青島出版社). He has been an art editor of Qingdao Wen Xue Press (青島文學雜誌社) since 2007. In 1999, Mr. Guo was elected as a committee member of Shandong Calligraphers Association (青島市書法家協會) and joined China Calligraphers Association (中國書法家協會) in 2000. In 2004, Mr. Guo was elected as the vice chairman of Shandong Youth Calligraphers Association (山東省青年書法家協會) and Qingdao Youth Calligraphers Association (青島市書法家協會) respectively. In 2009, Mr. Guo was elected as the chairman of Qingdao Youth Calligraphers Association (青島市青年書法家協會). Mr. Guo was appointed as an independent non-executive Director since 8 April 2011.

CHEN Wenping (陳文平) ("Mr Chen WP"), aged 43, is an independent non-executive Director and was graduated from the Shandong Academy of Economy (山東經濟學院), majoring in finance in 1998 and was qualified as a PRC lawyer in 2001. Mr. Chen WP has extensive experience in accounting and financial management. He had worked for 山東匯德會計師事務所有限公司 (Shandong Huide Accounting Firm Co., Ltd.) for 3 years as a practicing accountant and valuer. He is currently the head of the finance department of 軟控股份有限公司 (Mesnac Co., Ltd.) (stock code: 002073), the shares of which are listed on the Shenzhen Stock Exchange. Mr. Chen WP was appointed as an independent non-executive Director since 29 May 2007.

LIU Jinlu (劉金祿) ("Mr. Liu"), aged 54, is an independent non-executive Director and was graduated from the Beijing Sport University (北京體育大學). Mr. Liu was the deputy head of 北京金鼎木製品廠 (Beijing Jinding Muzhipin Factory) from 1983 to 1998 and has been the general manager of 北京天頌三佳緣商貿中心 (Beijing Tiansong Sanjiayuan Commercial Centre) since 1998. Mr. Liu was appointed as an independent non-executive Director since 20 May 2010.

Save as disclosed above, there are no relationships among the members of the Board.

SENIOR MANAGEMENT

Chen Jun (陳軍), aged 43, is a director, general manager and legal representative of each of 青島中天源網路科技有限公司 (formerly known as Qingdao Hai Yi Commercial Management Company Limited* (青島海逸商業管理有限公司)), and Qingdao Hai Yi Investment and Consultancy Company Limited* (青島海逸投資諮詢有限公司), all of which are wholly-owned subsidiaries of the Company.

Mr. Chen Jun was graduated from the People's Republic of China's Marine and Submarine College (中國人民解放軍海軍潛艇學院). Mr. Chen Jun is also the visiting professor and instructor of Master students of Qingdao Technological University (青島理工大學), School of Civil Engineering. Mr. Chen has over 14 years of experience in corporate planning and management.

Mr. Chen was appointed as an executive Director on 6 March 2007 and retired on 29 May 2015. Mr. Chen is the sole director and the sole shareholder of Fine Mean Investments Limited, and thus a controlling shareholder of the Company. For details, please refer to the paragraph headed "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" in this report.

DIRECTORS' REMUNERATION

The Directors' fees are subject to the approval of the shareholders of the Company (the "**Shareholder**") at general meetings. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group. In addition, the Directors' remuneration is reviewed by the remuneration committee of the Company (the "**Remuneration Committee**") annually. Details of the Director's remuneration are set out in note 10 of the financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, none of the Directors and the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or which are required pursuant to section 352 of the SFO to be entered in the register referred to therein; or are otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"),

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept pursuant to section 336 of the SFO:

Long position in Shares and underlying Shares of the Company

Name of substantial Shareholder	Capacity	Number of Shares interested/held	Approximate shareholding percentage
Mr. Chen Jun	Beneficial owner	129,525,000[(1)]	45.26%
	Interest of a controlled corporation	108,042,781	37.75%
Fine Mean Investments Limited[(2)]	Beneficial owner	108,042,781	37.75%
Ms. Su Haiqing[(1)]	Interest of spouse	237,567,781	83.00%

Notes:

1. These 129,525,000 Shares represent the 5,525,000 Shares beneficially owned by Mr. Chen Jun and the 124,000,000 Consideration Shares to be allotted and issued to Mr. Chen Jun upon completion of the Acquisition. Ms. Su Haiqing is the spouse of Mr. Chen Jun. Under the SFO, Ms. Su Haiqing is deemed or taken to be interested in all the 237,567,781 Shares in which Mr. Chen Jun is interested.

2. Fine Mean Investments Limited is wholly owned by Mr. Chen Jun. Mr. Chen Jun is the sole director of Fine Mean Investments Limited.

Save as disclosed above, as at 31 December 2015, the Company had not been notified of any substantial Shareholders (other than a Director or chief executive of the Company) who had an interest or short position in the Shares and underlying Shares in the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" below, no Director during the Year had a beneficial interest, either direct or indirect, in any contract of significance (as defined in Appendix 16 to the Listing Rules) to which the Company, its holding company or any of its subsidiaries was a party at the balance sheet date or at any time during the Year.

PERMITTED INDEMNITY PROVISION

Pursuant to Article 167 of the Articles, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. In addition, the Company has maintained appropriate Directors' liability insurance coverage for the Directors during the Year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Share Option Scheme" below, at no time during the Year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective associates to acquire such rights in any other body corporate.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of the Group's purchases and turnover attributable to major suppliers and customers are as follows:

	2015	2014
	%	%
Percentage of purchases:		
From the largest supplier	**53.2%**	100%
From the five largest suppliers	**100%**	100%
Percentage of turnover:		
From the largest customer	**64.6%**	71.9%
From the five largest customers	**100%**	98.4%

None of the Directors, their associates or any Shareholders who owned more than 5% of the Company's share capital had any interest in the Group's five largest customers nor suppliers.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

As at 31 December 2015, the Directors were not aware of any business or interest of the Directors and their respective close associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its listed securities.

SHARE OPTION SCHEME

As incentives and rewards to eligible persons for their contribution to the Group, the Group conditionally adopted a share option scheme (the "**Scheme**") on 27 July 2004 whereby the Directors are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the Shares to, inter alia, any employees (full-time or part-time), Directors, consultants, customers, Shareholders and suppliers of goods and services to the Group. The Scheme shall be valid and effective for a period of ten years commencing on the date on which the Scheme becomes unconditional, subject to the early termination provisions contained in the Scheme.

An offer for the grant of options must be accepted within 28 days from the day on which such offer was made. The amount payable by each grantee of options to the Group on acceptance of the offer for the grant of options is HK$1.00. The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price at the discretion of the Directors, provided that it shall be at the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the options; and (iii) the nominal value of the Shares on the date of grant of the options.

The Group shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all outstanding options to be granted under the Scheme and any other share option scheme of the Group does not exceed 10% of the Shares in issue at the date when the Shares were first listed on the Stock Exchange. The Group may at any time refresh such limit, subject to in compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group does not exceed 30% of the Shares in issue from time to time. No person shall be granted an option which, if all the options granted to the person (including both exercised and outstanding options) in any 12 months period up to the date of grant are exercised in full, would result in such person's maximum entitlement exceeding 1% of the Shares in issue.

The Scheme had expired on 26 July 2014. There was no outstanding share option during the year ended 31 December 2014 and 2015. Details of the Scheme are set out in note 24 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles and the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected transactions

On 13 November 2015, the Company entered into the Sale & Purchase Agreement with Mr. Chen Jun, a controlling shareholder of the Company, pursuant to which the Company conditionally agreed to purchase and Mr. Chen Jun conditionally agreed to sell the entire issued share capital of Golden Century Trade Limited (金世紀貿易有限公司) for a consideration of RMB155,000,000, out of which RMB135,000,000 shall be satisfied by way of allotment and issue of 124,000,000 Shares at the issue price of HK$1.35 per Consideration Share and RMB20,000,000 shall be satisfied by cash.

As Mr. Chen Jun is a connected person of the Company by virtue of him being a controlling shareholder of the Company. Hence, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For further details of the Acquisition, please refer to the announcements of the Company dated 15 December 2015 and 22 March 2016 respectively, and the circular of the Company dated 7 March 2016.

Continuing connected transactions

The Group has entered into a leasing agreement (the "**Leasing Agreement**") with an associates of Mr. Chen Jun, a controlling shareholder of the Company (hence each a connected person), on 1 January 2015. The term of the Leasing Agreement is from 1 January 2015 to 30 September 2015. Accordingly, the Leasing Agreement constituted a continuing connected transaction. Pursuant to the Leasing Agreement, a vehicle would be leased to the Group for its business purpose. The Leasing Agreement was fully exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements as they were on normal commercial terms and all of the applicable ratios were, in aggregate, on an annual basis, less than 5% and the annual consideration was less than HK$1,000,000. Further details of the Leasing Agreement are disclosed under note 29(c) to the financial statement.

The Directors consider that those material related party transactions disclosed in note 29 to the financial statements did not fall or were fully exempted under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) in Chapter 14A of the Listing Rules, and hence are not required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the Listing Rules.

CORPORATE GOVERNANCE

Save as disclosed below, the Company has complied with all the code provisions as set out in the Code on Corporate Governance (the "**Code**") contained in Appendix 14 to the Listing Rules during the Year.

Code provision A.6.7 of the Code provides that the independent non-executive Directors and the non-executive Directors should attend the general meetings of the Company. Due to other commitments, the independent non-executive Directors, namely Mr. Chen Wenping, Mr. Guo Qiang and Mr. Liu Jinlu, did not attend the annual general meeting of the Company held on 29 May 2015. All the Directors have given the Board and the committees of the Company on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They will also endeavor to attend future general meetings and develop a balanced understanding of the views of the Shareholders.

The details of Group's compliance with the Code is set out in the Corporate Governance Report from page 21 to page 31 of this report.

ANNUAL GENERAL MEETING AND BOOK CLOSURE

The annual general meeting of the Company will be held on 25 May 2016 at 10:30 a.m. at 4/F, Block B, Zhongtian Building, 38 Shandongtou Road, Laoshan District, Qingdao City, Shandong Province, the PRC.

The transfer books and the register of members of the Company will be closed from 23 May 2016 to 25 May 2016, both days inclusive. During such period, no Share transfers will be effected. In order to qualify for attending the annual general meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the office of the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 20 May 2015.

EVENTS AFTER REPORTING PERIOD

Details of the event after the reporting period has been disclosed in page 7 of this report under the paragraph headed "Substantial Acquisition and Disposal". Save as disclosed above, no significant event has occurred after the reporting period.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2015 have been audited by Crowe Horwath (HK) CPA Limited ("**Crowe Horwath**"). Crowe Horwath will retire as auditor at the conclusion of the forthcoming annual general meeting and will offer themselves for re-appointment. A resolution will be submitted to the forthcoming annual general meeting of the Company for the re-appointment of Crowe Horwath as the auditor of the Company.

On behalf of the Board

Chen Dezhao
Chairman

Hong Kong, 29 March 2016

CORPORATE GOVERNANCE REPORT

The Group's corporate governance practices are based on the principles and the code provisions as set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Listing Rules. Save as disclosed in this Corporate Governance Report, the Company has complied with all the code provisions as set out in the Code.

Code provision A.6.7 of the Code provides that the independent non-executive Directors and the non-executive Directors should attend the general meetings of the Company. Due to other commitments, the independent non-executive Directors, namely Mr. Chen Wenping, Mr. Guo Qiang and Mr. Liu Jinlu, did not attend the annual general meeting of the Company held on 29 May 2015. All the Directors have given the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They will also endeavor to attend future general meetings and develop a balanced understanding of the views of the Shareholders.

The Group commits to continuously improving its corporate governance practices by periodic review to ensure that the Group continues to meet the requirements of the Code.

The key corporate governance practices of the Group are summarised as follows:

BOARD OF DIRECTORS

Composition

The Board includes two executive Directors and three independent non-executive Directors.

Executive Directors

Chen Dezhao *(Chairman)* (appointed on 29 May 2015)
Chen Jun (retired on 29 May 2015)
Zhao Yun *(Chief executive officer)*

Independent Non-executive Directors

Mr. Chen Wenping
Mr. Liu Jinlu
Mr. Guo Qiang

More than one-third of the Board is independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement. The independent non-executive Directors are expressly identified as such in all corporate communications that disclose the names of the Directors.

There is no financial, business, family or other material/relevant relationship among the members of the Board, in particular, between the Chairman of the Board and the Chief Executive Officer. All the independent non-executive Directors namely, Mr. Guo Qiang, Mr. Chen Wenping and Mr. Liu Jinlu have respectively entered into a service contract with the Company for a term of one year commencing on 29 May 2015 and ending at the conclusion of the forthcoming annual general meeting of the Company. The independent non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles.

At each annual general meeting, one-third of the Directors are required to retire from office. Each Director shall retire from office once every three years. The Directors to retire in every year shall be those appointed by the Board during the Year and those who have been longest in office since their last election or re-election. New Directors appointed by the Board during the Year shall retire and submit themselves for re-election at the annual general meeting immediately following their appointments.

Each of Mr. Guo Qiang and Mr. Liu Jinlu will retire from office as Directors at the forthcoming annual general meeting of the Company.

Mr. Guo Qiang and Mr. Liu Jinlu, being eligible, offer themselves for re-election pursuant to Article 87 of the Articles.

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to the requirements of the Listing Rules. The Group considers all independent non-executive Directors to be independent in accordance with the Listing Rules.

Save as disclosed in the section headed "Directors' and Senior Management's Biographies" in this report, all members of the Board have no relationship with each others.

BOARD MEETINGS

The Board meets regularly. In addition to regular meetings, it meets as and when warranted by particular circumstances. During the Year, four Board meetings were held.

A record of the Directors' attendance at the Board meetings and general meeting(s) are set out as follows:

	Attendance/ Number of Board Meetings	Attendance/ Number of General Meetings
Executive Directors		
Chen Dezhao *(Chairman)* (appointed on 29 May 2015)	2/2	0/0
Chen Jun (retired on 29 May 2015)	2/2	1/1
Zhao Yun	4/4	1/1
Independent Non-executive Directors		
Chen Wenping	4/4	0/1
Liu Jinlu	4/4	0/1
Guo Qiang	4/4	0/1

Board responsibilities and delegation

The Board is responsible to the Shareholders for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the annual development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system and supervising and managing management's performance.

Regarding our Group's corporate governance, during the Year, the Board had performed the duties following:

- reviewed the policies and practices on corporate governance of the Group and made recommendations;
- reviewed and monitored the training and continuous professional development of Directors and senior management;
- reviewed and monitored the Group's policies and practices on compliance with legal and regulatory requirements;

- reviewed and monitored the code of conduct applicable to the Directors and employees; and
- reviewed the Company's compliance with the Code and disclosure in the corporate governance report of the Company.

The Board delegates the day-to-day management, administration and operation of the Group to the management. The delegated functions are reviewed by the Board periodically to ensure they remain appropriate to the needs of the Group. The Board gives clear directions to the management as to the matters that must be approved by the Board before decisions are made on behalf of the Group by the management.

CHAIRMAN AND CHIEF EXECUTIVE

The Group understands that the role of the chairman of the Board and chief executive of the Company shall have clear division of responsibilities. The Group has appointed a separate chairman and chief executive officer of the Company since 2007. The two positions are assumed by different persons, in order to ensure that their independence, accountability and power are clear. Mr. Chen Dezhao, the Chairman, is responsible for the operation of the Board and the formulation of the Group's strategies and policies. Mr. Zhao Yun, the chief executive officer of the Company, with the assistance of other members of the Board and senior management, is responsible for the management of the Group's business, the implementation of significant policies, the daily operational decisions as well as the coordination of the overall operation. The chairman ensures that all Directors are properly briefed on issues arising at the Board meetings and receive adequate, complete and reliable information in a timely manner.

COMPANY SECRETARY

Mr. Tai Man Hin, Tony ("Mr. Tai"), CPA, an external service provider, has been engaged by the Company as its Company Secretary. His primary contact person at the Company is Mr. Zhao Yun, the executive Director. During the Year, Mr. Tai undertook not less than 15 hours of relevant professional training to update his skills and knowledge.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Specific enquiry has been made of all the Directors and the Directors have confirmed that they had complied with such code of conduct during the Year.

DIRECTOR'S CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

All Directors are encouraged to and had confirmed that they had complied with the Coder Provision A.6.5 of the Code during the Year, that all Directors had participated in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged an in-house training on the Listing Rules and the Code for Directors in the form of a seminar with provision of training materials compiled by the legal adviser. All Directors had attended the in-house training. The training covered disciplinary matters on breach of the Listing Rules and requirements on disclosure of insider information under the Listing Rules.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "**Remuneration Committee**") on 25 April 2005. As at the date of this report, the Remuneration Committee comprised an executive director, namely Mr. Chen Dezhao, and two independent non-executive directors, namely Mr. Chen Wenping and Mr. Guo Qiang. Mr. Chen Wenping is the chairman of the Remuneration Committee.

The written terms of reference of the Remuneration Committee adopted by the Board are in line with the Code and are available on the Company and the Stock Exchange's websites.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Group's policy and structure for the remuneration of Directors, reviewing and making recommendations on their specific remuneration package by reference to market conditions, performance of the Group and corporate goals and objectives resolved by the Board from time to time. The Remuneration Committee held one meeting during the Year and all the members have attended to review the Group's remuneration policy and approved the terms of executive Directors' service contracts. During the Year, the Board as a whole has determined the remuneration policy and packages of the Directors. No individual Director was allowed to participate in the procedures for deciding his/her individual remuneration package.

A record of the members' attendance at the Remuneration Committee's meeting is set out as follows:

Members of Remuneration Committee	**Attendance/ Number of Meetings**
Chen Wenping *(Chairman)*	2/2
Chen Dezhao (appointed on 29 May 2015)	0/0
Chen Jun (retired on 29 May 2015)	2/2
Guo Qiang	2/2

The Remuneration Committee held one meeting during the Year and members of the Remuneration Committee had performed the following duties:

- consulted the chairman of the Board and/or chief executive about their remuneration proposals for other executive Directors. The Remuneration Committee has access to independent professional advice if necessary;

- made recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

- reviewed and approved the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- reviewed and approved the terms of executive Directors' service contracts;
- made recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- made recommendations to the Board on the remuneration of non-executive Directors; and
- considered salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries.

COMMUNICATION WITH SHAREHOLDERS

The Board and senior management recognise the responsibility of safeguarding the interest of Shareholders and provide transparent and real-time information on the Company so as to keep the Shareholders and investors abreast of the Company's position and help them to make the best investment decision. The Company believes that maintaining good and effective communication with shareholders can facilitate the Shareholders' understanding of the business performance and strategies of the Group. The Board and senior management also recognise the responsibility of safeguarding the interest of the Shareholders. In order to safeguard the Shareholders' interest, information of the Company and the Group are delivered to the Shareholders through a number of channels, which includes annual reports, interim reports, announcements and circulars. The latest information of the Company and the Group together with the published documents are also available on the Company's website.

The Company holds annual general meeting every year as an appropriate media for direct communication between the Board and the Shareholders. Shareholders can raise questions directly to the Board in respect of the business performance and future development of the Group at such annual general meetings.

SHAREHOLDER'S RIGHTS

Procedures for putting forward proposals at general meeting by Shareholders

In accordance with the requirements under Article 58 of the Articles, extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company carrying the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Pursuant to Article 88 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company. The minimum length of the period, during which the notices required under the Articles will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Attention: Mr. Tony Tai
Zhongtian International Limited
21st Floor, Huaren International Mansion, No. 2 Shandong Road, Shinan District, Qingdao City, Shandong Province, PRC

Shareholders' enquiries and concerns are forwarded to the Board and/or relevant Board committees of the Company, where appropriate, to answer the Shareholders' questions.

INVESTOR RELATIONS

During the Year, the Company did not make any changes to the Memorandum of Association of the Company and the Articles and the current version of which is available on the websites of the Stock Exchange and the Company.

INTERNAL CONTROL

The Board is committed to manage business risks and to maintain a proper and effective system of internal control to safeguard the Shareholders' investment and the Group's assets. The Board, through the audit committee of the Company (the "**Audit Committee**"), has conducted annual review of the effectiveness of the Group's system of internal control covering all controls, including financial, operational and compliance controls, and risk management processes.

The written terms of reference of the Audit Committee are in line with the Code, and are available on the Company and the Stock Exchange's websites.

SENIOR MANAGEMENT'S REMUNERATION

During the Year, Mr. Chen Jun is the only senior management of the Group with respective remuneration of RMB1,336,000.

AUDITOR'S REMUNERATION

The remuneration paid or payable to the external auditor of the Group in 2015 comprised fees for audit services of RMB297,000. The other fee amounted to RMB683,000 to the Company's independent auditor as reporting accountant in relation to the circular for the Acquisition dated 7 March 2016.

AUDIT COMMITTEE

The Audit Committee is primarily responsible for reviewing and supervising the financial reporting process and internal control system of the Group as well as external auditor of the Group.

The Audit Committee held two meetings during the Year to review the financial results and reports (including the interim results of the Group for the six months ended 30 June 2015). Policies in relation to financial controls, internal controls, risk management systems of the Group, and the retirement and appointment of the external auditor were reviewed by the Audit Committee at the meetings. The Audit Committee has reviewed this annual report and confirmed that this annual report is complete, accurate and complies with all applicable rules and regulations, including but not limited to the Listing Rules and the Code. There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditor.

The Audit Committee comprises three independent non-executive Directors. A record of the Directors' attendance at the Audit Committee's meetings is set out as follows:

Members of Audit Committee	**Attendance/ Number of Meetings**
Chen Wenping *(Chairman)*	2/2
Liu Jinlu	2/2
Guo Qiang	2/2

During the Year and up to the date of this report, members of the Audit Committee had performed the following duties:

- reviewed and approved the annual results of the Group for the year ended 31 December 2015 and the interim results of the Group for the six months ended 30 June 2015;

- made recommendations to the Board on the appointment of the Company's external auditor, and approved the remuneration and terms of engagement of the Company's external auditor;

- reviewed and monitored the Company's external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- monitored the integrity of the Company's financial statements and annual report and accounts, half-year report and reviewed significant financial reporting judgements contained in them;

- discussed with the Company's external auditors questions and doubts arising in audit of interim and annual accounts;

- reviewed the letter to the Company's management from the Company's external auditors and the management's response;

- reviewed the statement about the Company's internal control system which included in this annual report prior to submission for the Board's approval;

- reviewed the Company's financial reporting, financial controls, internal control and risk management systems;
- discussed the risk management and internal control system with the Company's management to ensure that management has performed its duty to have an effective internal control system;
- considered major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- ensured that the Company's internal audit function is adequately resourced and had appropriate standing within the Company, and reviewed and monitored its effectiveness;
- reviewed the financial and accounting policies and practices of the Group;
- reviewed the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response; and
- ensured that the Board had provided a timely response to the issues raised in the external auditor's management letter.
- reviewed the new terms of reference of the Audit Committee and provided advice thereon to the Board and enhanced the function of supervising risk management system of the Company in accordance with the amendments to the Code and Corporate Governance Report made by the Stock Exchange, which is applicable to the accounting period beginning from 1 January 2016.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

All Directors acknowledge their responsibility for preparing the financial statements for the Year. The auditor of the Company acknowledge their reporting responsibilities in the auditor's report on the financial statements for the Year. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the financial statements.

NOMINATION COMMITTEE

The Company established a nomination committee (the "**Nomination Committee**") on 28 March 2012, which comprises an executive Director, namely Mr. Chen Dezhao, and two independent non-executive Directors, namely Mr. Chen Wenping and Mr. Guo Qiang. Mr. Chen Dezhao shall act as the chairman of the Nomination Committee. The main function of the Nomination Committee is to identify appropriate individuals qualified to become Board members and to provide advice to the Board in respect of nominating such persons to the Board.

In August 2013, the Board has adopted its board diversity policy. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria based on a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

A record of the members' attendance of the first meeting of the Nomination Committee during the year ended 31 December 2015 is set out as follows:

Members of Nomination Committee	**Attendance/ Number of Meetings**
Chen Dezhao *(Chairman)* (appointed on 29 May 2015)	0/0
Chen Jun (retired on 29 May 2015)	2/2
Chen Wenping	2/2
Guo Qiang	2/2

The written terms of reference of the Nomination Committee are in line with the Code, and are available on the Company and the Stock Exchange's websites.

During the Year, the Nomination Committee has performed the following duties:

- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identified individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- assessed the independence of independent non-executive Directors; and
- made recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive of the Company.

INDEPENDENT AUDITOR'S REPORT

Crowe Horwath

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ZHONGTIAN INTERNATIONAL LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Zhongtian International Limited (the "Company") and its subsidiaries set out on pages 34 to 101, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 29 March 2016

Leung Chun Wa
Practising Certificate Number P04963

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Note	**2015 RMB'000**	2014 RMB'000
Revenue	6(a)	**3,855**	12,220
Cost of inventories sold		**(2,283)**	(10,311)
Other revenue and other income	7	**1,346**	1,448
Administrative expenses		**(10,024)**	(4,437)
Change in fair value of investment properties	14	**–**	(1,900)
Change in fair value of convertible bonds	21	**13**	(1,459)
Release of deferred loss on convertible bonds	21	**–**	(13,538)
Loss from operations		**(7,093)**	(17,977)
Finance costs	8(a)	**(291)**	–
Loss before taxation	8	**(7,384)**	(17,977)
Income tax expenses	9(a)	**(203)**	(717)
Loss for the year attributable to owners of the Company		**(7,587)**	(18,694)
Loss per share (expressed in RMB cents)			
Basic and diluted	12	**(3.1)**	(8.5)

The notes on pages 39 to 101 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015	2014
	RMB'000	RMB'000
Loss for the year	**(7,587)**	(18,694)
Other comprehensive income for the year	**–**	–
Total comprehensive loss for the year		
Attributable to owners of the Company	**(7,587)**	(18,694)

The notes on pages 39 to 101 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Fixed assets			
– Leasehold land held under operating lease	13	**3,698**	3,772
– Property, plant and equipment	13	**4,829**	4,938
Investment properties	14	**42,600**	42,600
		51,127	51,310
Current assets			
Trade and other receivables	16	**10,191**	76,188
Amount due from a director	29(a)	**115**	28
Cash and cash equivalents	17	**118,236**	13,499
		128,542	89,715
Current liabilities			
Trade and other payables	18	**8,984**	21,115
Amount due to a director	29(b)	**15**	943
Convertible bonds	21	**–**	26
Tax payable	19(a)	**1,397**	1,371
Bank borrowing	20	**1,800**	–
		12,196	23,455
Net current assets		**116,346**	66,260
Total assets less current liabilities		**167,473**	117,570
Non-current liabilities			
Bank borrowing	20	**15,750**	–
Deferred tax liabilities	19(b)	**10,506**	10,333
		26,256	10,333
Net assets		**141,217**	107,237
Capital and reserves			
Share capital	22	**2,634**	2,243
Reserves		**138,583**	104,994
Total equity		**141,217**	107,237

Approved and authorised for issue by the board of directors on 29 March 2016.

Chen Dezhao
Director

Zhao Yun
Director

The notes on pages 39 to 101 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company						
		Reserves					
	Share capital	Share premium Note 23(a)	Warrant reserve Note 23(b)	Property revaluation reserve Note 23(c)	Accumulated losses	Sub-total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	2,073	146,801	315	1,652	(58,082)	90,686	92,759
Changes in equity for 2014:							
Loss for the year	–	–	–	–	(18,694)	(18,694)	(18,694)
Total comprehensive loss for the year	–	–	–	–	(18,694)	(18,694)	(18,694)
Share issued upon conversion of convertible bonds	170	33,002	–	–	–	33,002	33,172
Transfer upon expiry of warrants	–	–	(315)	–	315	–	–
At 31 December 2014 and 1 January 2015	2,243	179,803	–	1,652	(76,461)	104,994	107,237
Changes in equity for 2015:							
Loss for the year	–	–	–	–	(7,587)	(7,587)	(7,587)
Total comprehensive loss for the year	–	–	–	–	(7,587)	(7,587)	(7,587)
Share issued upon placing shares, net of issuing expenses (note 22)	391	41,176	–	–	–	41,176	41,567
At 31 December 2015	2,634	220,979	–	1,652	(84,048)	138,583	141,217

The notes on pages 39 to 101 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Operating activities			
Loss before taxation		**(7,384)**	(17,977)
Adjustments for:			
Bank interest income	7	**(184)**	(188)
Finance costs	8(a)	**291**	–
Income on forfeiture of rental deposit	7	**–**	(927)
Impairment of trade receivables	8(c)	**–**	400
Depreciation and amortisation	13	**183**	183
Change in fair value of investment properties	14	**–**	1,900
Change in fair value of convertible bonds	21	**(13)**	1,459
Release of deferred loss on convertible bonds	21	**–**	13,538
Unrealised foreign exchange gain		**–**	(4)
		(7,107)	(1,616)
Changes in working capital			
Decrease/(increase) in trade and other receivables		**65,997**	(65,971)
Increase in amount due from a director		**(87)**	(28)
(Decrease)/increase in trade and other payables		**(12,144)**	12,921
Decrease in amount due to a director		**(928)**	(519)
Cash generated from/(used in) operations		**45,731**	(55,213)
Bank interest received		**184**	188
Income tax paid		**(4)**	–
Net cash generated from/(used in) operating activities		**45,911**	(55,025)
Financing activities			
Proceeds from issuance of convertible bonds	21	**–**	18,205
Net proceeds from issue of shares		**41,567**	–
New bank borrowings raised		**18,000**	–
Repayment of bank borrowings		**(450)**	–
Interest paid		**(291)**	–
Net cash generated from financing activities		**58,826**	18,205
Net increase/(decrease) in cash and cash equivalents		**104,737**	(36,820)
Cash and cash equivalents at beginning of the year		**13,499**	50,319
Cash and cash equivalents at end of the year	17	**118,236**	13,499

The notes on pages 39 to 101 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 December 2003 under the Companies Law of the Cayman Islands. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 22 September 2004. The addresses of the registered office and principal of business of the Company are disclosed in the corporate information to the annual report.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group").

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand except for per share data. RMB is the Company's functional and the Group's presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for the following assets and liabilities which is stated at the fair value as explained in the accounting policies set out below:

– investment properties (see note 2(d))

– convertible bonds (see note 2(j))

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 5.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the equity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loss control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less any impairment losses (see note 2(h)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(f)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the statement of financial position at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(q)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(f).

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under note 2(e) up to the date of change in use, and any difference at the date between the carrying amount and the fair value of the property dealt with in other comprehensive income and are accumulated separately in equity in the property revaluation reserve. On subsequent sale or retirement of the asset, the relevant revaluation surplus will be transferred from the revaluation reserve to accumulated losses and is not reclassified to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment losses (see note 2(h)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the shorter of their estimated lives, being no more than 50 years and the unexpired term of the lease

– Motor vehicles 5 years

– Furniture, fixtures and equipment 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economics benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

(f) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leased assets *(Continued)*

(i) Classification of assets leased to the Group

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(d)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(d)) or is held for development for sale.

(g) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the entities within the Group or the counterparty.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets

(i) Impairment of trade and other receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(i) Impairment of trade and other receivables *(Continued)*

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment;
- Leasehold land held under operating lease; and
- Investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(ii) Impairment of other assets *(Continued)*

– **Calculation of recoverable amount**

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– **Recognition of impairment losses**

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measureable), or value in use (if determinable).

– **Reversals of impairment losses**

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year (see notes 2(h)(i) and (ii)).

(i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(h)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(j) Convertible bonds

Convertible bonds of the Company consist of the liability component and embedded conversion options, which are not closely related to the host liability contract. Conversion options that will not be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's equity instrument are not equity instruments and are considered as embedded derivatives not closely related to the host contract.

The Group elected to designate its convertible bonds with embedded derivatives as financial liabilities at fair value through profit or loss on initial recognition as the convertible bonds contain one or more embedded derivatives. Subsequent to initial recognition, the entire convertible bonds were measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

The difference between the fair value of the convertible bonds and the cash consideration are deferred and amortised on a straight-line method over the terms of the convertible bonds.

Transaction costs that were directly attributable to the issue of the convertible bonds designated as financial liabilities at fair value through profit or loss were recognised immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(n) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. When payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Employee benefits *(Continued)*

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to accumulated losses).

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax *(Continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(d), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax *(Continued)*

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is stated after deduction of any trade discounts.

(ii) Rental income from operating leases

Rental income receivables under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the chief operating decision maker ("CODM"), being the Group's most senior executive management, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group.

Amendments to HKAS 19	Defined Benefit plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years.

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(a) Financial instruments by categories

	2015 RMB'000	2014 RMB'000
Financial assets		
Loans and receivables		
– Trade and other receivables (exclude prepayments)	**7,184**	76,188
– Amount due from a director	**115**	28
– Cash and cash equivalents	**118,236**	13,499
	125,535	89,715
Financial liabilities		
At amortised cost		
– Trade and other payables (exclude value-added tax payable)	**8,029**	20,173
– Amount due to a director	**15**	943
– Bank borrowing	**17,550**	–
	25,594	21,116
At fair value through profit or loss		
– Convertible bonds	**–**	26

The Group has exposure to the credit risk, liquidity risk, interest rate risk and currency risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group maintains a defined credit policy. An ageing analysis of debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with receivables. Normally, the Group does not obtain collateral from customers. At the end of the reporting period, the Group has a significant concentration of credit risk as 100% (2014: 100%) of the total trade receivables were due from the Group's three (2014: two) largest customers within the trading segment.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 16.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities based on contractual undiscounted cash flows at the end of the reporting period and the earliest date the Group can be required to pay:

	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total contractual undiscounted cash flow**	**Carrying amount**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2015						
Trade and other payables	**8,029**	**–**	**–**	**–**	**8,029**	**8,029**
Amount due to a director	**15**	**–**	**–**	**–**	**15**	**15**
Bank borrowing	**2,875**	**2,760**	**7,593**	**9,912**	**23,140**	**17,550**
	10,919	**2,760**	**7,593**	**9,912**	**31,184**	**25,594**
2014						
Trade and other payables	20,173	–	–	–	20,173	20,173
Amount due to a director	943	–	–	–	943	943
Convertible bonds	13	–	–	–	13	26
	21,129	–	–	–	21,129	21,142

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities which are mainly short term bank deposits at market rates and variable rate bank borrowings.

At 31 December 2015, it is estimated that a general increase/decrease 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's loss after tax and accumulated losses by approximately RMB850,000 (2014: RMB135,000).

The sensitivity analysis above, which include interest rate exposure on variable interest bearing deposits and bank borrowings, have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of reporting period. A 100 basis point change is used which represents the management's assessment of the reasonably possible change in interest rates over the period until the end of next reporting period. The analysis is performed on the same basis for 2014.

(e) Currency risk

(i) Exposure to currency risk

Presently, there is no hedging policy with respect to the foreign exchange exposure. The Group is exposed to currency risk primarily through bank deposits, trade and other receivables, amount due from a director, trade and other payables and amount due to a director that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily Hong Kong dollar.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Currency risk *(Continued)*

(i) Exposure to currency risk *(Continued)*

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities that are denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date.

	2015 **RMB'000**	2014 RMB'000
Hong Kong dollars:		
Trade and other receivables	**3,208**	8,757
Amount due from a director	**115**	–
Cash and cash equivalents	**37,877**	6,461
Trade and other payables	**(1,764)**	(738)
Amount due to a director	**(15)**	–
Overall exposure arising from recognised assets and liabilities	**39,421**	14,480

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Currency risk *(Continued)*

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's loss after tax (and accumulated losses) in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

	2015		2014	
	Increase/ (decrease) in foreign exchange rates	Decrease/ (increase) on loss after taxation and accumulated losses RMB'000	Increase/ (decrease) in foreign exchange rates	Decrease/ (increase) on loss after taxation and accumulated losses RMB'000
Hong Kong dollar	5%	1,971	5%	724
	(5%)	(1,971)	(5%)	(724)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group's entities loss after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate at the end of the reporting period for presentation purposes.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2014.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

During the year ended 31 December 2015, the remaining outstanding convertible bonds were matured 10 November 2015.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(f) Fair value measurement *(Continued)*

(i) Financial assets and liabilities measured at fair value *(Continued)*

During the year ended 31 December 2014, the Company issued convertible bonds to certain bondholders. The Group engages an independent professional valuer, Asset Appraisal Limited, performing valuation for the convertible bonds designated at fair value through profit or loss ("FVTPL") which are categorized into Level 3 of the fair value hierarchy. The professional valuer reports directly to the board of directors of the Company. Valuation reports with analysis of changes in fair value measurement are prepared by the professional valuer at each annual reporting date, and are reviewed and approved by the board of directors of the Company. Discussion of the valuation process and results with the board of directors of the Company was held at least once a year to coincide with the reporting dates.

2014

	Fair value measurement as at 31 December 2014 categorised into			Fair value at 31 December 2014
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Liabilities				
Convertible bonds	–	–	26	26
Total	–	–	26	26

During the years ended 31 December 2015 and 2014, there were no transfer between level 1 and level 2, or transfers into or out of level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

Financial Instruments	Valuation techniques	Significant unobservable inputs
Convertible bonds	Binomial option pricing model	Expected volatility of 74.62% Estimated credit spread of 12.19%

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(f) Fair value measurement *(Continued)*

(i) Financial assets and liabilities measured at fair value *(Continued)*

Information about Level 3 fair value measurements *(Continued)*

Notes:

a. As mentioned in note 21, the directors of the Company designates the whole convertible bonds, comprising of conversion component and liability component, at FVTPL. The fair value was determined based on the binomial option pricing model in which the inputs used in the fair value measurement mainly include the underlying stock price, exercise price of the convertible bonds, estimated credit spread, risk free rate, expected remaining lives of the convertible bonds, expected volatility of the underlying stock price and expected dividend yields at the end of the relevant reporting period. The significant unobservable inputs are the expected volatility rate of the underlying stock price and the credit spread. The fair value of the convertible bonds is classified as level 3 accordingly. The fair value measurement of the convertible bonds is positively correlated to the expected volatility and negatively correlated to the estimated discount rate. As at 31 December 2014, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility rate by 5% or an increase/decrease in the estimated discount rate by 1% would have no significant impact on the Group's loss before tax as the outstanding principal amounts of convertible bonds as at 31 December 2014 were immaterial. All outstanding convertible bonds were matured on 10 November 2015.

b. The movement during the period in the balance of these Level 3 fair value measurements are as follows:

	Total RMB'000
Convertible bonds:	
At 1 January 2014	–
At date of issuance	31,743
Deferred loss upon issuance of convertible bonds	(13,538)
Change in fair value of convertible bonds	1,459
Conversion of convertible bonds	(33,172)
Release of deferred loss on the convertible bonds upon conversion	13,538
Exchange adjustments	(4)
At 31 December 2014 and 1 January 2015	26
Change in fair value of convertible bonds	(13)
Reclassified to other payables (note 18) upon expiry on 10 November 2015	(13)
At 31 December 2015	–

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(f) Fair value measurement *(Continued)*

(ii) Financial assets and liabilities measured at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 2014.

(g) Offsetting financial assets and financial liabilities

(i) Financial assets

The following financial assets are subject to offsetting:

	Gross amounts of recognised financial assets RMB'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position RMB'000	Net amounts of financial assets presented in the consolidated statement of financial position RMB'000
As at 31 December 2014			
Amount due from a director	2,701	(2,673)	28

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(g) Offsetting financial assets and financial liabilities *(Continued)*

(ii) Financial liabilities

The following financial liabilities are subject to offsetting:

	Gross amounts of recognised financial liabilities RMB'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position RMB'000	Net amounts of financial liabilities presented in the consolidated statement of financial position RMB'000
As at 31 December 2014			
Amount due to a director	3,616	(2,673)	943

The Group and the counterparty entered into an agreement that allows for settlement of the relevant financial assets and liabilities on a net basis.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

(i) Depreciation of property, plant and equipment

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. Directors of the Company review the estimated useful lives of the assets regularly in order to determine the amount of depreciation expenses to be recorded. The useful lives are based on the Group's historic experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates. As at 31 December 2015, the carrying amount of property, plant and equipment was RMB8,527,000 (2014: RMB8,710,000).

(ii) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts are determined based on value-in-use calculations or fair value less cost of disposal. In determining the value in use, expected cash flows generated by the asset are discounted to their present values, which require significant judgement relating to such items such as level of turnover and amount of operating costs. As at 31 December 2015, the carrying amount of property, plant and equipment was RMB8,527,000 (2014: RMB8,710,000).

(iii) Estimation of fair value of investment properties

Investment properties are stated at fair value at the end of the reporting period, which is assessed annually by independent qualified valuers, by reference to open market value basis calculated by reference to recent sales price of comparable properties on a price per square meter basis as input and adjust for a premium or discount specific to the qualify of the properties. The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to current market transactions. As at 31 December 2015, the carrying amount of investment properties was RMB42,600,000 (2014: RMB42,600,000).

5. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(iv) Impairment of trade and other receivables

The Group makes allowance for impairment of trade and other receivables based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each counterparty debtor. If the financial conditions of the counterparty debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. As at 31 December 2015, the carrying amount of trade and other receivables was RMB10,191,000 (net of allowance for doubtful debts of RMB400,000) (2014: RMB76,188,000, net of allowance for doubtful debts of RMB400,000).

(v) Impairment of interests in subsidiaries

The Company makes impairment on interests in subsidiaries when the related recoverable amounts of the investments in subsidiaries, with reference to the net asset values of the subsidiaries, are estimated to be less than their carrying amounts. As at 31 December 2015, the carrying amount of interests in subsidiaries was RMB84,911,000 (2014: RMB84,911,000).

(vi) Fair value of convertible bonds

The fair value of the convertible bonds is based on independent valuation by a professional valuer. The valuation involves assumptions on the Company's credit spread, expected credit rating and expected volatility rate of the underlying stock price. Changes in underlying assumptions could have materially impact on profit or loss or equity. As at 31 December 2015, the carrying amount of convertible bonds was Nil (2014: RMB26,000).

(vii) Income taxes

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2015, the carrying amount of tax payable was RMB1,397,000 (2014: RMB1,371,000).

The directors of the Company considered that the new VAT rule on the real estate sector, as referred to in note 31(b) below, has not been substantively enacted as at 31 December 2015.

6. REVENUE AND SEGMENT INFORMATION

(a) Revenue

Revenue represents the sales value of goods supplied to customers and rental income. The amount of each significant category of revenue recognised during the year is as follows:

	2015	2014
	RMB'000	RMB'000
Sale of intelligent electronic products and modern office furniture products	**2,489**	10,866
Gross rental income from investment properties	**1,366**	1,354
	3,855	12,220

(b) Segment information

The Group manages its business by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and performance assessment, the Group has identified the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Trading: sale of intelligent electronic products and modern office furniture products in the People's Republic of China (the "PRC").

– Property investment: this segment offer office premises to generate rental income and to gain from the appreciation in the properties' values in the long term. Currently, the Group's investment properties are located entirely in the PRC.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocation of resources between segments, the Group's CODM monitors the results, assets and liabilities of each reportable segment on the following bases:

Segment assets include all tangible assets and current assets with the exception of corporate assets. Segment liabilities include trade and other payables attributable to the activities of the individual segments and borrowings managed directly by the segments.

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

(i) Segment results, assets and liabilities *(Continued)*

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "segment operating results". Segment operating profit/loss includes the operating profit/loss generated by the segment without allocation of central administration costs. Taxation charge is not allocated to reportable segment.

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2015 and 2014 is set out below:

For the year ended 31 December 2015

	Trading RMB'000	Property investment RMB'000	Total RMB'000
Reportable segment revenue from external customers	2,489	1,366	3,855
Reportable segment results	(724)	(782)	(1,506)
Interest income	1	183	184
Depreciation and amortisation	(14)	(169)	(183)
Finance costs	(291)	–	(291)
Reportable segment assets	6,424	135,051	141,475
Reportable segment liabilities	(4,231)	(20,538)	(24,769)

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

(i) Segment results, assets and liabilities *(Continued)*

For the year ended 31 December 2014

	Trading RMB'000	Property investment RMB'000	Total RMB'000
Reportable segment revenue from external customers	10,866	1,354	12,220
Reportable segment results	(869)	194	(675)
Interest income	188	–	188
Income on forfeiture of rental deposit	–	927	927
Depreciation and amortisation	(183)	–	(183)
Impairment of trade receivables	(400)	–	(400)
Change in fair value on investment properties	–	(1,900)	(1,900)
Reportable segment assets	91,902	42,600	134,502
Reportable segment liabilities	(20,371)	–	(20,371)

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2015 RMB'000	2014 RMB'000
Revenue		
Total reportable segment revenue	**3,855**	12,220
Elimination of inter-segment revenue	**–**	–
Consolidated revenue	**3,855**	12,220
Loss		
Reportable segment loss	**(1,506)**	(675)
Release of deferred loss on convertible bonds	**–**	(13,538)
Change in fair value of convertible bonds	**13**	(1,459)
Unallocated corporate expenses	**(5,891)**	(2,305)
Consolidated loss before taxation	**(7,384)**	(17,977)
Assets		
Total reportable segment assets	**141,475**	134,502
Unallocated cash and cash equivalents	**37,877**	6,461
Other unallocated corporate assets	**317**	62
Consolidated assets	**179,669**	141,025
Liabilities		
Total reportable segment liabilities	**24,769**	20,371
Income tax payable	**1,397**	1,371
Deferred tax liabilities	**10,506**	10,333
Convertible bonds	**–**	26
Unallocated corporate liabilities	**1,780**	1,687
Consolidated liabilities	**38,452**	33,788

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Segment information *(Continued)*

(iii) Geographical information

In determining the Group's geographical information, revenues and results are attributed to the geographical location based on the location of the customers, and assets are attributed to the geographical location based on the location of the assets. As the Group's major operations and markets including location of the non-current assets are all located in the PRC, no further geographical information is provided.

(iv) Information from major customers

Revenue from external customers contributing 10% or more of the total revenue from the Group is as follows:

	2015 **RMB'000**	2014 RMB'000
Customer A (note (i))	**2,489**	N/A
Customer B (note (ii))	**596**	N/A
Customer C (note (ii))	**430**	N/A
Customer D (note (i))	**N/A**	2,076
Customer E (note (i))	**N/A**	8,790

N/A – not applicable

Notes:

(i) The sales were derived from the trading segment.

(ii) The sales were derived from the property investment segment.

7. OTHER REVENUE AND OTHER INCOME

	2015 RMB'000	2014 RMB'000
Interest income from bank deposits	**184**	188
Exchange gain, net	**962**	–
Income on forfeiture of rental deposit	**–**	927
Compensation for cancellation of purchase agreements (note 16(d))	**200**	–
Sundry income	**–**	333
	1,346	1,448

8. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting) the following:

	2015 RMB'000	2014 RMB'000
(a) Finance costs		
Interest on bank borrowing	**291**	–
(b) Staff costs (including directors' emoluments (note 10))		
Salaries, wages and other benefits	**3,199**	655
Contributions to defined contribution retirement plans	**132**	146
	3,331	801
(c) Other items		
Auditor's remuneration		
– audit services	**297**	239
– acting as reporting accountant in relation to an acquisition (note 31(a))	**683**	–
– non-audit services	**–**	8
Exchange loss, net	**–**	58
Depreciation of property, plant and equipment and amortisation of leasehold land held under operating lease	**183**	183
Gross rental income from investment properties less direct outgoings of RMB113,000 (2014: RMB187,000)	**(1,253)**	(1,167)
Operating lease charges in respect of buildings	**–**	317
Impairment of trade receivables	**–**	400
Cost of inventories sold	**2,283**	10,311

9. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2015 RMB'000	2014 RMB'000
Current tax – PRC Enterprise Income Tax		
provision for the current year	**26**	–
under-provision in respect of prior years	**4**	–
	30	–
Deferred taxation (note 19(b))	**173**	717
Income tax expenses	**203**	717

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2014: 25%).

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2015 and 2014, as the Group did not have assessable profits subject to Hong Kong Profits Tax during the years ended 31 December 2015 and 2014.

(b) Reconciliation between income tax expenses and accounting loss at the applicable tax rates:

	2015 RMB'000	2014 RMB'000
Loss before taxation	**(7,384)**	(17,977)
Notional tax on loss before taxation, calculated at the rates applicable to the loss in the countries concerned	**(1,346)**	(3,024)
Tax effect of non-taxable income	**(2)**	(59)
Tax effect of non-deductible expenses	**1,587**	3,014
Tax effect on utilisation of tax losses	**(40)**	(131)
Under-provision in prior years	**4**	–
Others	**–**	917
Income tax expenses	**203**	717

10. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and the chief executive's emoluments are as follows:

	2015			
Name of directors	**Fees RMB'000**	**Salaries and other benefits RMB'000**	**Retirement scheme contributions RMB'000**	**Total emoluments RMB'000**
Executive directors				
Chen Jun (resigned on 29 May 2015)	**–**	**956**	**4**	**960**
Chen Dezhao	**–**	**292**	**–**	**292**
Zhao Yun (Chief executive officer)	**–**	**104**	**29**	**133**
Independent non-executive directors				
Chen Wenping	**20**	**–**	**–**	**20**
Guo Qiang	**20**	**–**	**–**	**20**
Liu Jinlu	**20**	**–**	**–**	**20**
	60	**1,352**	**33**	**1,445**

	2014			
Name of directors	Fees RMB'000	Salaries and other benefits RMB'000	Retirement scheme contributions RMB'000	Total emoluments RMB'000
Executive directors				
Chen Jun	–	20	10	30
Zhao Yun (Chief executive officer)	–	107	29	136
Independent non-executive directors				
Chen Wenping	20	–	–	20
Guo Qiang	20	–	–	20
Liu Jinlu	20	–	–	20
	60	127	39	226

There was no amount paid during the years ended 31 December 2015 and 2014 to any directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2015 and 2014.

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2014: one) are the directors whose emoluments are disclosed in note 10, one (2014: Nil) is an ex-director whose emoluments for the time being the director of the Company are disclosed in note 10. The aggregate of the emoluments in respect of the ex-director, Mr Chen Jun, after 29 May 2015 and other two (2014: four) individuals are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other emoluments	**1,527**	273
Contributions to retirement benefits scheme	**29**	49
	1,556	322

The emoluments of individuals other than directors with the highest emoluments are within the following bands:

	2015 Number of individuals	2014 Number of individuals
Nil to HK$1,000,000 (equivalent to approximately Nil to RMB803,000 (2014: Nil to RMB791,000))	**2**	4
HK$1,500,000 to HK$2,000,000 (equivalent to approximately RMB1,205,000 to RMB1,607,000 (2014: RMB1,187,000 to RMB1,582,000))	**1**	–

During the years ended 31 December 2015 and 2014, no emoluments were paid to the five highest paid individuals (including directors and other employees) as an inducement to join or upon joining the Group or as compensation for loss of office and no bonus was paid or payable by the Group to the five highest paid individuals based on the performance of the Group.

12. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of RMB7,587,000 (2014: RMB18,694,000) and the weighted average number of 245,435,423 ordinary shares (2014: 219,500,793 ordinary shares) in issue during the year, calculated as follows:

(i) Loss for the year attributable to owners of the Company

	2015 **RMB'000**	2014 RMB'000
Loss for the year	**7,587**	18,694

(ii) Weighted average number of ordinary shares of the Company

	2015	2014
Number of shares		
Issued ordinary shares at 1 January	**238,509,122**	217,029,122
Effect of issue of new shares upon placing shares (note 22)	**6,926,301**	–
Effect of issue of new shares upon conversion of convertible bonds (note 21)	**–**	2,471,671
Weighted average number of ordinary shares at 31 December	**245,435,423**	219,500,793

(b) Diluted loss per share

For the year ended 31 December 2015, diluted loss per share equals to basic loss per share because the Company had no dilutive potential ordinary shares outstanding.

For the year ended 31 December 2014, diluted loss per share equals to basic loss per share because the outstanding convertible bonds had an anti-dilutive effect on the basic loss per share.

13. FIXED ASSETS

	Property, plant and equipment					
	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fixture and equipment RMB'000	Sub-total RMB'000	Leasehold land held under operating lease RMB'000	Total RMB'000
Cost						
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	4,928	2,438	6	7,372	3,872	11,244
Accumulated depreciation, amortisation and impairment						
At 1 January 2014	33	2,289	3	2,325	26	2,351
Charge for the year	94	15	–	109	74	183
At 31 December 2014 and 1 January 2015	127	2,304	3	2,434	100	2,534
Charge for the year	94	15	–	109	74	183
At 31 December 2015	221	2,319	3	2,543	174	2,717
Carrying amount						
At 31 December 2015	4,707	119	3	4,829	3,698	8,527
At 31 December 2014	4,801	134	3	4,938	3,772	8,710

Note:

(a) The leasehold land and buildings of RMB8,405,000 (2014: Nil) are situated in Qingdao, the PRC, and was pledged to a bank for a bank borrowing of the Group drawn down in 2015. Further details of the Group's bank borrowing are disclosed in note 20.

14. INVESTMENT PROPERTIES

	2015 RMB'000	2014 RMB'000
Investment properties, at fair value		
At 1 January	**42,600**	44,500
Changes in fair value of investment properties	**–**	(1,900)
At 31 December	**42,600**	42,600

Notes:

(a) The analysis of carrying amounts of investment properties is as follows:

	2015 RMB'000	2014 RMB'000
In Qingdao, the PRC		
– Commercial	**42,600**	42,600

(b) All of the Group's investment properties were revalued on 31 December 2015 and 2014 by Asset Appraisals Limited, an independent professional valuer, who has a recognised and relevant professional qualification and recent experience in the location and category of properties which had been revalued, based on the direct comparison approach. The investment properties are leased to third parties under operating leases, further details of the Group's total future minimum lease receivables under non-cancellable operating leases are disclosed in note 27. The investment properties are pledged to a bank for a bank borrowing of the Group drawn down in 2015. Further details of the Group's bank borrowing are disclosed in note 20.

(c) **Fair value measurements of properties**

(i) ***Fair value hierarchy***

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

14. INVESTMENT PROPERTIES *(Continued)*

Notes: *(Continued)*

(c) Fair value measurements of properties *(Continued)*

(i) Fair value hierarchy *(Continued)*

	Fair value as at 31 December 2015 RMB'000	Fair value measurements as at 31 December 2015 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Investment properties:				
Commercial – PRC	**42,600**	**–**	**–**	**42,600**

	Fair value as at 31 December 2014 RMB'000	Fair value measurements as at 31 December 2014 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Investment properties:				
Commercial – PRC	42,600	–	–	42,600

During the years ended 31 December 2015 and 2014, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

14. INVESTMENT PROPERTIES *(Continued)*

Notes: *(Continued)*

(c) Fair value measurements of properties *(Continued)*

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Investment properties in PRC – Commercial	Direct comparison approach	premium/(discount) on quality of the buildings	18%/(21%) (2014: 20%/(18%))

The fair value of investment properties located the in the PRC is determined using direct comparison approach by reference to recent sales price of comparable properties on a price per square meter basis, adjusted for a premium or discount specific to the quality of the Group's buildings compared to recent sales on the comparable transaction. Higher premium for higher quality buildings will result in a higher fair value measurement. The valuer has in-depth discussions on the basis and assumptions for the valuation of the investment properties with Mr. Zhao Yun, the executive director of the Company, when the valuation is performed at each annual reporting date.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2015 RMB'000	2014 RMB'000
Investment properties – Commercial – PRC		
At 1 January	**42,600**	44,500
Changes in fair value of investment properties	**–**	(1,900)
At 31 December	**42,600**	42,600

Fair value adjustments of investment properties during the year ended 31 December 2014 were recognised in the line item "change in fair value of investment properties" on the face of consolidated statement of profit or loss. All the gains recognised in profit or loss for the year arise from the investment properties held at the end of the reporting period.

15. SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets and liabilities of the Group. The class of shares held is ordinary shares unless otherwise stated.

Name	Form of business structure	Class of shares held	Place of incorporation and business	Particulars of issued and paid up capital	Interest held directly	Interest held indirectly	Principal activities
Success Advantage Limited	Limited liability company	Ordinary	British Virgin Islands ("BVI")	100 shares of US$1 each	100%	–	Inactive
New East Glory Limited	Limited liability company	Ordinary	BVI	1 share of US$1 each	100%	–	Investment holding
Great Miracle Holdings Limited	Limited liability company	Ordinary	BVI	1 share of US$1 each	–	100%	Investment holding
Shan Dong Travel Services Holdings Limited	Limited liability company	Ordinary	Hong Kong	10,000 shares	–	100%	Investment holding
青島中天源網絡科技有限公司 (Formerly known as: Qingdao Hai Yi Commercial Management Co., Ltd.)*	Wholly foreign-owned enterprise	Registered	PRC	US$423,200	–	100%	Trading and investment holding
Qingdao Hai Yi Investment and Consultancy Co., Ltd.#	Limited liability company	Registered	PRC	RMB25,000,000	–	100%	Property investment

* Registered under the laws of the PRC as a wholly foreign-owned enterprise.

\# Registered under the laws of the PRC as a limited liability company.

16. TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**7,383**	23,228
Less: Allowance for doubtful debts (note (b))	**(400)**	(400)
	6,983	22,828
Other receivables (note (d))	**201**	53,360
Loan and receivables	**7,184**	76,188
Prepayments and deposits (note (e))	**3,007**	–
	10,191	76,188

All of the trade and other receivables are expected to be recovered within one year.

Notes:

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date (or date of revenue recognition, if earlier) and net of doubtful debts, is as follows:

	2015 RMB'000	2014 RMB'000
0-30 days	**–**	–
31-60 days	**–**	2,958
61-90 days	**6**	–
91-180 days	**–**	9,755
181-365 days	**215**	–
Over 365 days	**6,762**	10,115
	6,983	22,828

Trade receivables are due within 10-90 days from the date of invoice (or date of revenue recognition, if earlier). As at 31 December 2015, the directors consider that no further impairment is necessary as subsequent settlement of substantial part of trade receivables was received. Further details of the Group's credit policy are set out in note 4(b).

16. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 2(h)(i)).

Movements in the allowance for doubtful debts

	2015 **RMB'000**	2014 RMB'000
At 1 January	**400**	–
Impairment loss recognised	**–**	400
At 31 December	**400**	400

As at 31 December 2015, trade receivables of the Group amounting to RMB400,000 (2014: RMB400,000) were individually determined to be impaired. The individually impaired receivables were outstanding for over 365 days at the end of the reporting period or were due from customers with financial difficulties. Accordingly, specific allowances for doubtful debts of RMB400,000 (2014: RMB400,000) were recognised.

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2015 **RMB'000**	2014 RMB'000
Neither past due nor impaired	**6**	57
Past due but not impaired		
Less than 1 month past due	**–**	2,956
Over 3 months to 1 year past due	**215**	19,815
Over 1 year past due	**6,762**	–
	6,983	22,828

16. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(Continued)*

(c) Trade receivables that are not impaired *(Continued)*

Receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(d) Other receivables

During the year ended 31 December 2014, the Group signed three purchase agreements in respect of intelligent electronic products with suppliers and prepaid refundable deposits of RMB53,309,000 in accordance with the purchase agreements. During the year ended 31 December 2015, the Group agreed with suppliers to cancel the purchase agreements and the amounts were fully refunded.

(e) Prepayments and deposits

During the year ended 31 December 2015, the Group signed a purchase agreement in respect of intelligent electronic products with a supplier and prepaid for refundable deposits of RMB3,007,000 in accordance with the purchase agreement. The amount will be used to settle trade payables when the products are received from the supplier.

17. CASH AND CASH EQUIVALENTS

	2015 **RMB'000**	2014 RMB'000
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows:		
Cash at bank and on hand	**118,236**	13,499

18. TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	**5,193**	18,150
Other payables	**2,836**	2,023
Financial liabilities at amortised cost	**8,029**	20,173
Value-added tax payable	**955**	942
	8,984	21,115

Included in trade and other payables are trade payables with the following ageing analysis presented based on the invoice date as of the end of the reporting period:

	2015 RMB'000	2014 RMB'000
0-30 days	**–**	–
31-60 days	**–**	2,871
61-90 days	**1,321**	–
91-180 days	**141**	9,192
181-365 days	**–**	–
Over 365 days	**3,731**	6,087
	5,193	18,150

19. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position:

	2015 **RMB'000**	2014 RMB'000
At beginning of the year	**1,371**	1,371
Provision for the year	**26**	–
Under-provision in respect of prior years	**4**	–
Paid during the year	**(4)**	–
At end of the year	**1,397**	1,371

(b) Deferred tax liabilities recognised

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation of properties RMB'000	**Leasehold land and buildings** RMB'000	**Total** RMB'000
At 1 January 2014	6,146	3,470	9,616
(Credited)/charged to profit or loss (note 9(a))	(475)	1,192	717
At 31 December 2014 and 1 January 2015	5,671	4,662	10,333
Charged to profit or loss (note 9(a))	–	173	173
At 31 December 2015	5,671	4,835	10,506

19. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(c) Deferred tax assets not recognised

As at 31 December 2015, the Group did not have material unrecognised deferred tax assets. As at 31 December 2014, the Group has not recognised deferred tax assets in respect of unused tax losses of RMB91,000 because it was not expected that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses expire five years after the year the loss occurred under the current tax legislation.

20. BANK BORROWING

As at 31 December 2015, the Group had bank borrowing as follows:

	2015 **RMB'000**	2014 RMB'000
Secured bank borrowing	**17,550**	–

At 31 December 2015, interest-bearing bank borrowing was due for repayment as follows:

	2015 **RMB'000**	2014 RMB'000
Carrying amounts repayable:		
Within 1 year	**1,800**	–
After 1 year but within 2 years	**1,800**	–
After 2 years but within 5 years	**5,400**	–
After 5 years	**8,550**	–
	17,550	–
Less: Current portion	**(1,800)**	–
Non-current portion	**15,750**	–

As at 31 December 2015, bank borrowing was interest bearing at 6.7% per annum, repayable over 10 years in 40 instalments and secured by investment properties, leasehold land held under operating lease and buildings (notes 13 and 14).

21. CONVERTIBLE BONDS

On 11 November 2014, the Company issued 6% convertible bonds with aggregate principal amount of HK$23,000,000 (equivalents to approximately RMB18,205,000) (the "Convertible Bonds") to six independent third parties (the "Bondholders"). The Convertible Bonds are denominated in Hong Kong dollars and carried an interest of 6% per annum on the principal amount of the Convertible Bonds payable on the date falling on the expiry of 1 year from the date of issue (the "Maturity Date").

The Bondholders may at any time from the date of issue to Maturity Date to convert their Convertible Bonds into ordinary shares of the Company at the initial conversion price of HK$1.07 per share (subject to adjustment of conversion price upon of certain events). Based on the initial conversion price of HK$1.07 and assuming full conversion of the Convertible Bonds at the initial conversion price, the Convertible Bonds will be convertible into 21,495,327 fully paid ordinary shares with a par value of HK$0.01 each of the Company, approximately 9.01% of the ordinary share capital of the Company as enlarged by the issue of new shares.

The Convertible Bonds shall not be redeemed (in whole or in part) at the option of the Company commencing from the date of issue of the Convertible Bonds. Any principal amount of the Convertible Bonds which has not been converted before the Maturity Date shall be redeemed by the Company on the Maturity Date at a redemption amount equal to 100% of the principal amount of the outstanding Convertible Bonds together with all interest accrued.

The proceeds from issuance of the Convertible Bonds of HK$23,000,000 (equivalents to RMB18,205,000) were received on 11 November 2014. The Company used the proceeds as general working capital of the Group and the commission to placing agent of HK$575,000 (equivalents to RMB454,250) was charged to administrative expenses.

The Convertible Bonds consist of liability component and conversion option which are not closely related to the host liability contract. As the functional currency of the Company is RMB, the conversion of the Convertible Bonds denominated in HK$ and the effect of optional conversion mentioned will not result in settlement by exchange of a fixed amount of cash in RMB, the functional currency of the Company, for a fixed number of the Company's shares. The directors have designated the Convertible Bonds as financial liabilities at fair value through profit or loss and initially recognised them at fair value. In subsequent periods, the Convertible Bonds are measured at fair value with changes in fair value recognised in profit or loss.

During the year ended 31 December 2014, the Bondholders converted the Convertible Bonds with aggregate principal amount of HK$22,983,600 at a conversion price of HK$1.07 per share into 21,480,000 ordinary shares of the Company. During the year ended 31 December 2015, the remaining outstanding convertible bonds were not converted into shares before the maturity date and were matured on 10 November 2015 and was reclassified to other payables.

21. CONVERTIBLE BONDS *(Continued)*

The movement of the Convertible Bonds for the years ended 31 December 2015 and 2014 is set out as below:

	RMB'000
The Convertible Bonds:	
At 1 January 2014	–
At date of issuance	31,743
Deferred loss upon issuance of convertible bonds	(13,538)
Change in fair value of convertible bonds	1,459
Conversion of the convertible bonds	(33,172)
Release of deferred loss on the convertible bonds upon conversion	13,538
Exchange adjustments	(4)
At 31 December 2014 and 1 January 2015	26
Change in fair value of convertible bonds	(13)
Reclassified to other payables (note 18) upon expiry on 10 November 2015	(13)
At 31 December 2015	–

22. SHARE CAPITAL

	2015		2014	
	No. of shares '000	Amount HK$'000	No. of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000**	**100,000**	10,000,000	100,000

	No. of shares '000	Amount RMB'000	No. of shares '000	Amount RMB'000
Issued and fully paid:				
At 1 January	**238,509**	**2,243**	217,029	2,073
Placing of ordinary shares (note (i))	**47,700**	**391**	–	–
Conversion of convertible bonds (note (ii))	**–**	**–**	21,480	170
At 31 December	**286,209**	**2,634**	238,509	2,243

Notes:

(i) On 9 November 2015, 47,700,000 new ordinary shares of HK$0.01 each were placed to placees at a price of HK$1.08 per ordinary share under general mandate. The Company raised approximately RMB41,567,000 (net of directly attributable issuing expenses of approximately RMB635,000). The proceeds were intended to be used for general working capital of the Group and rank pari passu with other shares in issue in all respects.

(ii) During the year ended 31 December 2014, 21,480,000 ordinary shares of HK$0.01 each were issued pursuant to the exercise of the conversion rights attached to the convertible bonds at a conversion price of HK$1.07 per share.

23. RESERVES

The Group

The reconciliation between the opening and closing balances of each component of the Group is set out in the consolidated statement of changes in equity.

23. RESERVES *(Continued)*

The Company

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share premium RMB'000 (note 23(a))	Warrant reserve RMB'000 (note 23(b))	Accumulated losses RMB'000	Total RMB'000
At 1 January 2014	146,801	315	(65,500)	81,616
Conversion of convertible bonds (note 21)	33,002	–	–	33,002
Transfer upon expiry of warrants	–	(315)	315	–
Loss for the year	–	–	(17,041)	(17,041)
At 31 December 2014 and 1 January 2015	179,803	–	(82,226)	97,577
Shares issued upon placing shares, net of directly attributable issuing expenses	41,176	–	–	41,176
Loss for the year	–	–	(5,318)	(5,318)
At 31 December 2015	220,979	–	(87,544)	133,435

Nature and purpose of reserves are as follows:

(a) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in share premium account are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

23. RESERVES *(Continued)*

(b) Warrant reserve

Warrant reserve represents the net proceeds received from the issue of warrants of the Company. The reserve will be transferred to share capital and share premium account upon exercise of the warrants.

On 24 August 2011, the Company issued 43,405,824 non-listed warrants at an issue price of HK$0.01 per warrant by private placement. Each warrant entitles the holder to subscribe for one ordinary share at a subscription price of HK$0.64 per warrant share. The warrants were expired on 23 August 2014 and the warrant reserve were credited to accumulated losses.

(c) Property revaluation reserve

During the year ended 31 December 2013, certain properties previously occupied by the Group as owner-occupied property were transferred to investment properties and a revaluation surplus of RMB2,203,000 was credited to property revaluation reserve to account for the difference between the carrying amounts and the fair values of the properties at the date of change in use, determined using market comparison approach by independent firm of valuers. The corresponding deferred tax liability of RMB551,000 arising from gain on revaluation of properties were charged to other comprehensive income.

(d) Distributability of reserves

The Company's reserves available for distribution represent the share premium and accumulated losses. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. In the opinion of the directors of the Company, as at 31 December 2015, the Company had reserves available for distribution to equity shareholders of RMB133,435,000 (2014: RMB97,577,000).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Group consists of cash and cash equivalent, bank borrowing, convertible bonds and equity.

The Group manages its capital structure and makes adjustments to it, in light of change in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 2014. At 31 December 2015 and 2014, the Group had net cash position.

24. SHARE OPTION SCHEME

Pursuant to a share option scheme approved by a resolution of the shareholders of the Company dated 27 July 2004 (the "Scheme"), the Company may grant options to the directors, employees and shareholders of the Company or its subsidiaries and consultants, customers and suppliers, for the recognition of their contributions to the Group, to subscribe for shares in the Company with a payment of HK$1.00 upon each grant of options offered and the options granted must be taken up within 28 days from the date of grant. The exercise price of the share option will be determined at the higher of the average of closing prices of shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option; the closing price of the Company's shares on the Stock Exchange on the date of grant; and the nominal value of the shares.

The share options are exercisable at any time during a period of not more than 10 years from the date of grant, subject to the terms and conditions of the Scheme, the relevant PRC laws and regulations and any conditions of grant as may be stipulated by the board of directors.

The maximum number of shares in respect of which options may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes shall not exceed 30% of the number of shares of the Company in issue from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not, in aggregate, exceed 10% of the number of shares of the Company in issue as at the date of approval of the Scheme unless further shareholders' approval has been obtained pursuant to the conditions set out in the Scheme. No person shall be granted an option which, if all the options granted to the person (including both exercised and outstanding options) in any 12 months period up to the date of grant are exercised in full, would result in such person's maximum entitlement exceeding 1% of the number of issued shares of the Company.

The total number of shares available for issue under the Scheme as at the end of the reporting period was 21,702,912 shares (2014: 21,702,912 shares) which represented 7.6% (2014: 9.1%) of the issued share capital of the Company as at the end of the reporting period. There is no minimum period for which an option to be held before it can be exercised under the Scheme. At 31 December 2015, there were no outstanding share options (2014: Nil). No share option was granted during the years ended 31 December 2015 and 2014. The share option scheme was expired on 26 July 2014.

25. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plan

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014). Contributions to the plan vest immediately.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

26. CAPITAL COMMITMENTS

Capital commitments outstanding at 31 December 2015 not provided for in the financial statement were as follows:

	2015 **RMB'000**	2014 RMB'000
Contracted but not provided for	**155,000**	–

The Group has contracted with Mr Chen Jun for an acquisition, details of which are disclosed in note 31(a).

27. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2015, the Group had total future minimum lease receivables and payables under non-cancellable operating leases are as follows:

	2015 RMB'000	2014 RMB'000
As lessor:		
Within 1 year	**1,179**	1,366
After 1 year but within 5 years	**1,661**	2,841
	2,840	4,207
As lessee:		
Within 1 year	**–**	126
After 1 year but within 5 years	**–**	–
	–	126

Operating lease rentals receivable represented rental receivables by the Group for its investment properties under operating lease arrangements, with leases negotiated for 1 to 3 years and rentals are fixed over the lease terms and do not include contingent rentals.

Operating lease payables represented rental payable by the Group to the related companies as referred to in note 29(c) for certain of its office and motor vehicle in 2014. Leases are principally negotiated for 1 year and rentals are fixed over the lease terms and do not include contingent rentals.

28. PLEDGED OF ASSETS

As at 31 December 2015, the Group's assets with the following carrying amounts were pledged to secure bank borrowing (note 20).

	2015 RMB'000	2014 RMB'000
Investment properties, leasehold land held under operating lease and buildings	**51,005**	–

29. MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2015, the directors are of the view that related parties of the Group include the following individuals:

Name of related party	Relationship with the Group
Chen Jun	Controlling shareholder and ultimate controlling party of the Company
Chen Dezhao	Executive director of the Company
Zhao Yun	Executive director and chief executive officer of the Company

Saved for as disclosed elsewhere in the financial statements, the Group has the following related party balances and transactions:

(a) Amount due from a director

			Maximum balance outstanding	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
Chen Jun	**–**	28	**28**	28
Chen Dezhao	**115**	–	**115**	–
	115	28		

On 29 May 2015, Mr Chen Jun has resigned as an executive director of the Company. Mr Chen Dezhao has been appointed as an executive director of the Company.

The amounts due are unsecured, interest-free and repayable on demand.

(b) Amount due to a director

	2015 RMB'000	2014 RMB'000
Zhao Yun	**15**	943
	15	943

The amount due is unsecured, interest-free and repayable on demand.

29. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Transactions with related companies

	2015 RMB'000	2014 RMB'000
Rental expenses paid to related companies		
– Office	**–**	317
– Motor vehicle	**96**	126
	96	443

Rental expenses were paid to two related companies, for which Mr Chen Jun, a substantial shareholder of the Company, is the director of the two related companies.

(d) Key management personnel remuneration

Remuneration for key management personnel, including amount paid to the Company's directors as disclosed in note 10, is as follows:

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	**2,742**	187
Post-employment benefits	**39**	39
	2,781	226

The amount included short-term employee benefits of RMB2,286,000 (2014: RMB20,000) and post-employment benefits of RMB10,000 (2014: RMB10,000) paid to Mr Chen Jun, a substantial shareholder of the Company.

Total remuneration is included in staff costs in note 8(b).

30. COMPANY – LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2015 RMB'000	2014 RMB'000
Non-current asset			
Interests in subsidiaries		**84,911**	84,911
Current assets			
Other receivables		**3,208**	8,756
Amount due from a director		**115**	–
Amounts due from subsidiaries		**13,522**	4,083
Cash and cash equivalents		**37,859**	6,443
		54,704	19,282
Current liabilities			
Other payables		**3,531**	738
Amount due to a director		**15**	3,609
Convertible bonds		**–**	26
		3,546	4,373
Net current assets		**51,158**	14,909
Net assets		**136,069**	99,820
Capital and reserves			
Share capital	22	**2,634**	2,243
Reserves	23	**133,435**	97,577
Total equity		**136,069**	99,820

Approved and authorised for issue by the board of directors on 29 March 2016.

Chen Dezhao
Director

Zhao Yun
Director

31. EVENTS AFTER THE REPORTING PERIOD

The Group had the following significant event subsequent to the end of the reporting period and up to the date of approval of these financial statements:

(a) On 13 November 2015, the Group entered into a sale and purchase agreement (the "SPA") with Mr Chen Jun, a substantial shareholder, based on which, the Group has agreed to acquire Golden Century Trade Limited and its subsidiaries (the "Target Group"), which engaged in the investment and development of properties and lands. As at the date of the SPA, Mr Chen Jun was the only owner of the Target Group and the total consideration for this acquisition was agreed to be RMB155,000,000, for which RMB135,000,000 will be paid by issuing 124,000,000 ordinary shares of the Company at price HK$1.35 and RMB20,000,000 will be paid by cash. As at 31 October 2015, the audited net assets of the Target Group was RMB191,870,000 as referred to the Company's circular dated 7 March 2016.

Subsequent to the end of the reporting period, at the Company's extraordinary general meeting on 22 March 2016, the acquisition had been approved by the independent shareholders of the Company. Up to the date of approval of these financial statements, the acquisition has not yet been completed.

(b) On 23 March 2016, China's Ministry of Finance and State Administration of Taxation jointly issued Circular Caishui [2016] 36 which contains the valued-added tax ("VAT") rates and rules applicable to all of the industries which are transitioning from Business Tax to VAT with effect from 1 May 2016, including the real estate sector. The VAT rate for real estate sector is 11%, with grandfathering rules applicable to entities with properties acquired before 1 May 2016, for which 5% simplified VAT method would be applied on gross revenue from leasing or net gain from sales of properties.

In the opinion of the directors of the Company, the new VAT rule has not been substantively enacted as at 31 December 2015, and accordingly, no additional deferred tax liability in relation to the new VAT rule was recognised for the year ended 31 December 2015. The directors of the Company is still in the process of assessing the impact of the new VAT rule on the financial performance and positions of the Group for the subsequent years, and it is expected that an additional deferred tax liability, on the revaluation surplus of the investment properties, will be recognised during the year ending 31 December 2016.

32. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after a date to be determined.

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2011 RMB'000	2012 RMB'000 (Restated)	2013 RMB'000 (Restated)	2014 RMB'000	**2015** **RMB'000**
Results					
Revenue	18,157	23,995	9,702	12,200	**3,855**
Loss from operations	(3,838)	(1,055)	(2,001)	(17,977)	**(7,093)**
Finance costs	–	–	–	–	**(291)**
Loss before income tax	(3,838)	(1,055)	(2,001)	(17,977)	**(7,384)**
Income tax (expense)/credit	(271)	(129)	291	(717)	**(203)**
Loss for the year from continuing operations	(4,109)	(1,184)	(1,710)	(18,694)	**(7,587)**
Loss from discontinued operation	(10,991)	(6,192)	–	–	**–**
Attributable to:					
Owners of the Company	(15,100)	(7,376)	(1,710)	(18,694)	**(7,587)**

	As at 31 December				
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015** **RMB'000**
Assets and liabilities					
Total assets	121,685	125,780	114,329	141,025	**179,669**
Total liabilities	(21,492)	(32,963)	(21,570)	(33,788)	**(38,452)**
	100,193	92,817	92,759	107,237	**141,217**